

Senator Elliott, members of the committee I thank you for the opportunity to speak in support of SB 472.

I am Dr. Kurt Kubicka, a past president of the Montana Medical Association and current chair of our MMA legislative committee. *I speak on behalf of our more than 1000 physician members.*

In spite of a rapidly growing economy with unemployment rates at historical lows, roughly 18% or 170,000 Montanans remain without health insurance. Montana continues to exceed the nation in its rate of uninsured.

The reasons for this are multi-factorial. But clearly a major contributing factor, perhaps the leading factor when comparing our circumstances with other states, is our large portion of small businesses. These entrepreneurs, often of modest means, encounter substantial challenges in securing health insurance for their employees.

Taking a broader perspective, both MMA and the American Medical Association note the counterintuitive manner in which tax benefits accrue to the affluent *relative of* ~~versus those with~~ limited incomes in the purchase of health

insurance. In general the purchase of health insurance is a tax deductible expense either by an employer or the self employed. Because marginal tax rates increase with income the affluent enjoy substantially greater tax <sup>benefits</sup> <sub>in a sense</sub> subsidies in the purchase of health insurance.

By way of example:

A self employed married Montana couple with taxable income of \$40,000 per year realizes a 22% discount in the purchase of health insurance based on their marginal tax rate. By comparison, a self employed couple with a taxable income of \$190,000 enjoys a 40% discount, or subsidy, in their purchase of health insurance based on their substantially greater marginal tax rate.

SB 472 is a modest proposal. SB 472 increases a longstanding but underutilized tax credit. This statute is specific to small employers, 20 or fewer employees. As noted above these are most often employers of limited means. Their employees generally earn modest incomes. SB 472 increases the current tax credit for newly insuring employers from \$25 per insured employee per month to \$100 per insured employee per month. The utility of this proposal is largely reflected in the fiscal note. Based on the Bureau of

Labor Statistics data, this credit could be claimed on as many as 107,000 employees. Of course the potential number of insured would include dependents as well and consequently is much greater. In its current formulation, the participation rate for this credit is approximately 2.6%. At \$25 per employee per month or \$300 per year the credit is less than one months anticipated premium. It is our hope, and the Governor's Office of Budget and Program Planning concurs, that increasing the credit to \$100 will substantially increase participation potentially placing tens of thousands of employees and their dependents on the road to private health insurance.

But the benefits of this tax credit extend beyond <sup>these</sup> ~~those~~ newly insured employees and their families. Expanding the roles of the privately insured increases risk pools which in turn makes the purchase of health insurance that much more accessible for all Montanans. In essence, each newly insured Montanan makes it that much easier to insure the next Montanan. This in turn improves the overall health of Montanans and our health care system:

- Greater participation in preventative care

- Fewer uncollectibles for our community hospitals

- Fewer tragic bankruptcies for Montana families

As we have said earlier, SB 472 is a modest proposal but an important first step on the road to assuring access to timely, affordable healthcare to all Montanans.

*Senators*  
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I thank you for your time and attention.